

# 2016 GASB 77 Tax Abatement Questionnaire — Preview

## Introduction

Governmental Accounting Standard Board (GASB) Statement No. 77, Tax Abatement Disclosures, is effective for the state of Texas in fiscal 2017. GASB 77 establishes disclosure requirements for tax abatement agreements entered into by:

- Agencies
- Component units
- Universities
- Other governments — agreements entered into by other governments that reduce the tax revenues of the:
  - Agency
  - Component unit
  - University

In essence, GASB 77 addresses tax abatement agreements entered into by the reporting agency, as well as those initiated by other governments that reduce the reporting agency's tax revenue.

Under GASB 77, **tax abatement** is a *reduction in tax revenues* resulting from an agreement (written or implicit) between one or more governments\* and an individual or entity in which:

- a) One or more governments promise to forgo tax revenues to which they are otherwise entitled  
—AND—
- b) The individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

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*\*Governments include cities, counties, school districts, municipalities, junior colleges, etc., as well as agencies, universities and component units.*

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Governmental programs employed to lower the taxes of broad classes of taxpayers (or the taxes of individuals or entities based on the performance of specific actions) are broadly referred to as tax expenditures. Tax expenditures include:

- Tax exemptions
- Tax deductions
- Tax abatements
- Other programs

There are three features that set tax abatement apart from tax exemptions and tax deductions:

1. **Purpose of tax abatements** — Typically tax abatements are utilized as part of economic development programs to achieve goals — and for other purposes that otherwise benefit a government or its citizens.
2. **Type of revenue they reduce** — Abatements that reduce revenues from customer charges involve “exchange transactions” and are not within the scope of GASB 77. “Exchange transactions” involve equal exchanges of value between willing parties. By contrast, abatements under GASB 77 that reduce tax revenues involve “non-exchange transactions,” which do not involve equal exchanges of value between willing parties.
3. **Existence of an agreement** — Tax abatements consist of at least two factors:
  - 1) A promise by the agency, component unit, university or other government to reduce the individual’s or entity’s taxes.  
—AND—
  - 2) A promise from the individual or entity to **subsequently** perform a certain beneficial action. Such agreements may or may not be legally enforceable. The agency, component unit, university or other government commits to abate taxes before the specific individual or entity performs the action for which the agency, component unit, university or other government is providing the tax abatement.

To assist you in determining if an agreement qualifies as tax abatement under GASB 77, use the following information. Remember, under GASB 77:

- A transaction’s **substance** ( not its form or title) is a key factor in determining if the transaction meets the definition of tax abatement for the purpose of GASB 77.
- The agreement **does not involve an equal exchange** of value between willing parties. (For example, the amount of taxes paid is unrelated to the amount of services a taxpayer receives from the agency, component unit, university or other government.)

The information we receive from the following questions will assist us in gathering information to implement GASB 77. Your survey submission is an acknowledgement that you have reviewed your agency’s operations for potential application of GASB 77 requirements.

You can view the full text version of GASB 77 on the [GASB Pronouncements page](#). Click “Full Text” link, then click “Accept” to confirm GASB’s terms and conditions.

Please submit your responses to this survey by **Thursday, Sept. 1, 2016**.

If you have questions on GASB 77 or this survey, email [frs@cpa.texas.gov](mailto:frs@cpa.texas.gov).

### **Agency Information:**

Agency Name: \_\_\_\_\_ Agency Number: \_\_\_\_\_

#### **Agency Contact:**

Name: \_\_\_\_\_

Telephone: \_\_\_\_\_ Email: \_\_\_\_\_

#### **Agency GASB 77 Contact (if different than Agency Contact):**

Name: \_\_\_\_\_

Telephone: \_\_\_\_\_ Email: \_\_\_\_\_

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Answer the following questions regarding your agency, component unit or university:

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1. Do you have any programs that potentially qualify as “tax abatement” under GASB 77?  
(Select only one answer.)

☐ Yes  
☐ No ([Skip to Question 5](#))

2. Were any of these tax abatement agreements made in writing?

☐ Yes  
☐ No

Please be prepared to submit copies of the agreements to [frs@cpa.texas.gov](mailto:frs@cpa.texas.gov).

3. What are your potential tax abatement programs, including specific individuals or entities receiving the tax abatements?

List Tax abatement programs and recipients: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. What is the period of the tax abatement agreement (date it was entered into and date it will expire)?

List EACH agreement by Name(s) and Period(s) of tax abatement program(s): \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

5. Do you have potential tax abatement agreements under GASB 77 made by other governments that limit the amount of revenue that you can collect? (Select only one answer.)

☐ Yes  
☐ No ([Skip to Question 9](#))

6. Are any of these tax abatement agreements made by other governments in writing? (Select only one answer.)

☐ Yes  
☐ No

Please be prepared to submit copies of the agreements to [frs@cpa.texas.gov](mailto:frs@cpa.texas.gov).

7. What are the potential tax abatement programs made by other governments, including specific individuals or entities receiving the tax abatements of each program?

List of each Tax abatement programs made by other governments and recipients of each: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. Of those tax abatement agreement(s) made by other governments, what is the period of the tax abatement agreement (date it was entered into and date it will expire)?

List EACH agreement by Name(s), Period(s) of tax abatement program(s) and Estimated amount(s):

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9. Does your agency have any discrete or blended component units? (Select only one answer.)

- ☐ Yes  
☐ No ([Skip to end of Questionnaire](#))

10. Did you already include (list) any tax abatement agreements entered by the agency's discrete or blended component units? (Select only one answer.)

- ☐ Yes  
☐ No

If "no," list EACH agreement for your discrete or blended component units by tax abatement program Name(s) and Period(s) of each. \_\_\_\_\_

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11. Will your discrete or blended component unit be implementing (or already implemented) GASB 77 prior to Aug. 31, 2016? (Select only one answer.)

- ☐ Yes  
☐ No

Please be prepared to submit copies of the agreements to [frs@cpa.texas.gov](mailto:frs@cpa.texas.gov).

**Thank you for your time.**

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**Note:** This questionnaire will **not** be marked complete unless you press the submit button below to complete this survey.

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Before you click the **submit** button, please see below for reminders:

- Changes to an existing component unit – submit a copy of the organization's revised by-law and supporting documentation to [frs@cpa.texas.gov](mailto:frs@cpa.texas.gov)
- A newly identified component unit – submit a copy of the organization's by-law and supporting documentation to [frs@cpa.texas.gov](mailto:frs@cpa.texas.gov)